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ISRAEL

The Israelis regard the next round of negotiations for a second Egyptian-Israeli agreement as a major test of Prime Minister Rabin's leadership. The US embassy in Tel Aviv reports that Israelis also see it as the decisive test both of the US-sponsored step-by-step approach and of President Sadat's oft-expressed commitment to seek a peaceful solution to the Arab-Israeli dispute.

The attitude of conservatives within the cabinet, especially Defense Minister Peres, will have a crucial bearing on whether Rabin will be able to realize his first major foreign policy success and strengthen his authority as Israel's political leader. Peres has shown little public flexibility on negotiations with Egypt. In recent weeks he has repeatedly and publicly underscored his hard-line position linking Cairo's demand for an Israeli pullback from the strategic Gidi and Mitla passes and the Abu Rudays oil fields to an outright Egyptian undertaking to abandon war against Israel. President Sadat will not agree to such a sweeping commitment.

The Israeli negotiating team of Rabin, Peres, and Foreign Minister Allon, therefore, will have to make some hard choices. Rabin and Allon are essentially committed to the success of the US-backed step-by-step approach to negotiations and are thus likely to prove more flexible in trying to make it work. Peres, on the other hand, has the least to lose politically by holding to an intransigent position. He is the spokesman for conservatives in the cabinet. Moreover, he does not wish to be outflanked by former defense minister Moshe Dayan, who is still influential and a leader of the political faction to which Peres belongs.

The realization among Israel's leaders of the country's heavy dependence on the US for military, economic, and diplomatic support will have a major bearing on the cabinet's deliberations. The US embassy believes that any differences over Israel's final negotiating position will be heavily influenced by each minister's estimate of how far Tel Aviv can afford to "strain" its relationship with Washington. Even Peres admitted in an extensive interview last January that Israelis listen carefully to what Washington has to say.

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Rabin will do whatever he can to obtain an agreement with Egypt that is acceptable to all factions within the government. The possibility of a split vote in the cabinet over the terms of a settlement with Egypt, however, cannot be dismissed. In such an event, Rabin is likely to press ahead only if he and Allon can carry the overwhelming majority of the cabinet with them.

The embassy believes the government could obtain parliamentary approval in either case, even though a cabinet split could result in the loss of as many as seven or eight votes from within the ruling Labor Alignment. The embassy has heard that consultations are under way behind the scenes to assure the support of the small leftist parties outside the coalition--presumably to make up for any Labor defections.

Officially, Israel is prepared to consider two negotiating options. The first involves a limited agreement, including an Israeli pullback of up to 32 miles in the Sinai but not from the passes or the oil fields. Such a pullback would be traded for limited concessions, including, as Peres put it yesterday, demilitarization of the evacuated areas except for UN forces and an "understanding" with Egypt to "restrain" military activity.

The second option involves a major agreement including a withdrawal from the passes and oil fields, as Cairo demands, in return for a political package to include a written declaration of nonbelligerency by Egypt.

The Israelis continue to have the same objectives in pursuing negotiations with Egypt. Tel Aviv wants to gain time to build its military and economic strength and to split Arab ranks in order to reduce the possibility of another multifront war.

According to the US embassy, most Israelis are of the opinion that the Geneva conference will be resumed within two or three months, whatever the outcome of the current effort to attain an Egyptian-Israeli agreement. In any case, many Israelis believe the prospects for finding a peaceful solution at Geneva will be undermined if the Egyptian-Israeli negotiations fail.

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SYRIA

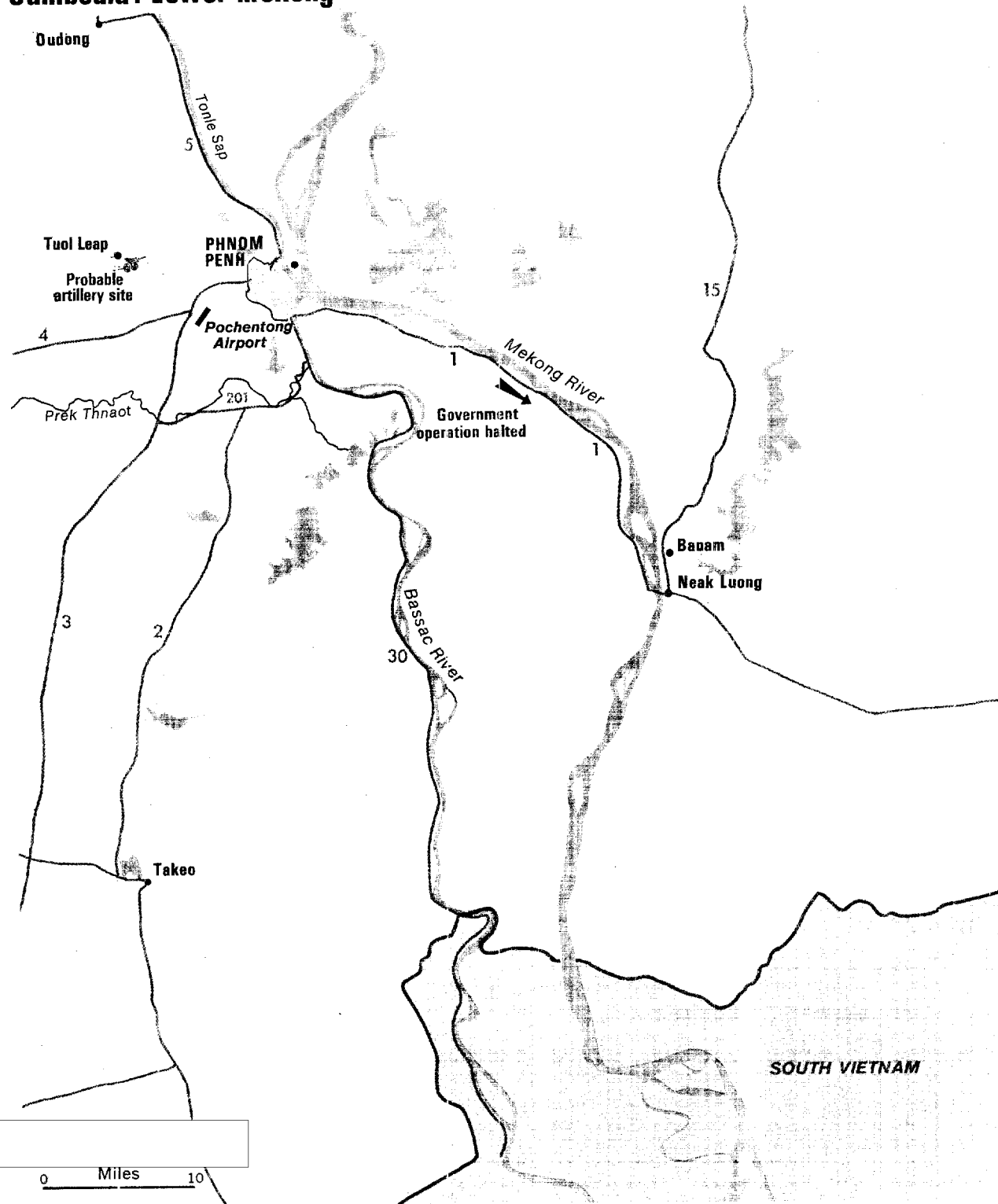
President Asad's interview in the Washington Post yesterday is part of a continuing effort to pressure Egypt into demanding from the Israelis some linkage between a Sinai accord on the one hand and progress on the Syrian front and the Palestinian question on the other. Asad would probably be satisfied with an Israeli pledge to enter next into negotiations with Syria for a similar, although more limited, accord on the Golan Heights.

Asad refused to attack President Sadat directly for his adherence to the US negotiating strategy, reserving his strongest criticism for Secretary Kissinger's step-by-step approach. Nevertheless, his comments seemed designed to cast Sadat in an unfavorable light in the Arab world if Egypt agrees to sign a separate Sinai agreement.

For example, Asad reiterated his willingness to negotiate another disengagement agreement on the Golan Heights, but he insisted that it would have to be within the context of a general interim agreement covering all three fronts--Sinai, Golan Heights, and West Bank. He characterized a separate Egyptian-Israeli accord as a step that might "block peace." Asad did not reject the possibility, raised by his information minister in a separate interview with the Post, that Syria might boycott the Geneva talks if Secretary Kissinger tried to reconvene the conference after obtaining only a Sinai disengagement agreement.

Asad's strong pitch for US recognition of the PLO as the "sole representative of Palestinian people" may have been calculated in part to embarrass the Egyptians, who have recently been having their troubles with fedayeen leaders. Asad may also have wanted to strengthen his internal position by posturing as the Palestinians' chief Arab supporter.

On Golan Heights negotiations, Asad insisted again that Syria was interested only in discussing an Israeli pullback all along the present disengagement line. He might consider whatever withdrawal were offered, however, even if it amounted to only a few symbolic kilometers, provided Syria did not have to make concessions in return.

Cambodia: Lower Mekong

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CAMBODIA

Airlift operations at Pochentong airport have been suspended until the security situation can be reevaluated.

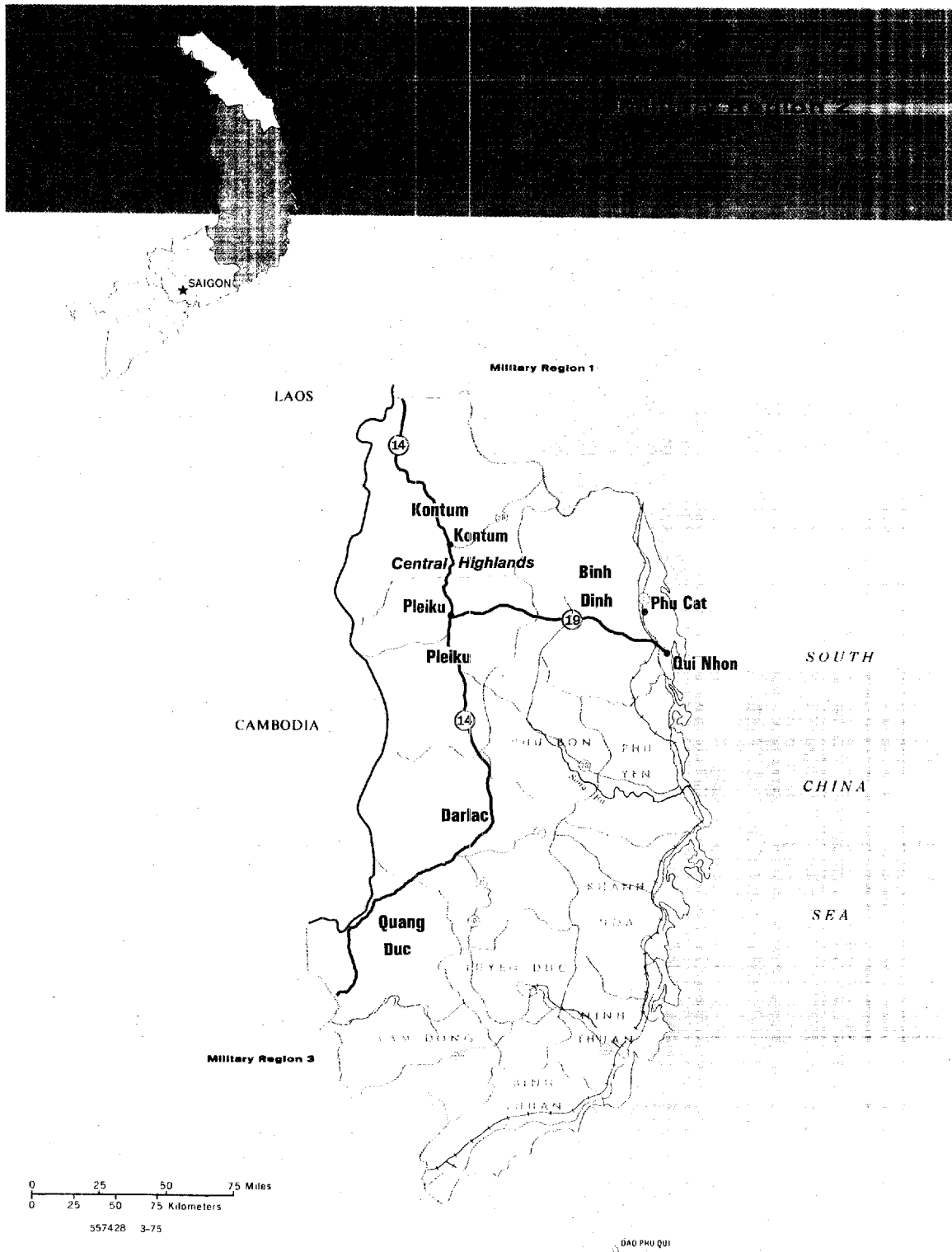
A US civilian DC-8 cargo plane, operating under charter for the airlift to Phnom Penh, received shrapnel damage at the airfield during a communist shelling attack yesterday. The aircraft, which returned safely to Saigon, was damaged by 105-mm. howitzer or 107-mm. rocket fire. Several 105-mm. rounds reportedly damaged the taxiway, and others impacted just outside the airfield yesterday. The artillery fire apparently came from the Tuol Leap area north of Route 4, where a government operation is planned for today. The increased range and accuracy of 105-mm. artillery present a greater threat to Pochentong than do rocket attacks.

Along the Mekong River, combat activity remains focused on the Banam - Neak Luong area. Government forces have improved their situation with the reopening of Route 15, which links the two towns. Heavy fighting occurred Tuesday, and Communist pressure increased on the west bank of the Mekong opposite Neak Luong, where government troops have recovered two of four positions initially lost.

Farther north, the government task force attempting to clear Route 1 near the northern narrows has been instructed to undertake no further action, pending further developments around the capital's perimeter.

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SOUTH VIETNAM

The upsurge in fighting in the central highlands suggests that the North Vietnamese may have started their spring campaign. Communist units have attacked and overrun several outposts in Kontum and Pleiku provinces and have interdicted strategic Highway 19, which links the highlands to the coast. At least nine bridges and culverts have been destroyed, and two firebases guarding important mountain passes have been overrun.

Two of the government's important airbases--Pleiku and Phu Cat in Binh Dinh Province--have also been shelled. Increased attacks have been reported in the northern provinces and north of Saigon, but these could be in response to a recent increase in South Vietnamese military operations.

The government's principal task will be to reopen Highway 19 between Pleiku city and Qui Nhon. Communist planning appears to entail gradually stepping up the pressure against the two highland capitals of Pleiku and Kontum cities after cutting the highway. If Route 19 were to stay closed for long, the government would be hard pressed to airlift sufficient supplies into the highlands to hold the two capitals.

Even if the highway were open, the South Vietnamese could be facing a difficult situation in the highlands. Kontum city appears especially vulnerable. The last remaining stronghold in Kontum Province, the provincial capital depends on Highway 14 from Pleiku city for resupply. If the Communists were to cut this road, which they could easily do, it would be difficult for the city's small airfield to handle the number of flights needed to resupply the garrison by air. In addition, stiff Communist air defenses would add to the government's difficulties.

The situation in the highlands has caused the South Vietnamese [] to defer earlier plans to shift government units. Originally, parts of a division were to be moved south from Pleiku to the Darlac - Quang

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Duc Province border area to offset the suspected relocation of a North Vietnamese division. [redacted]

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[redacted] the government division will be needed in Pleiku and Kontum; plans also are being made to bring in additional units from the coast.

The Communists have four divisions which could be committed to the fighting in the highlands and along the coast. Elements of the North Vietnamese 320th and 10th probably are responsible for the present upsurge of fighting in Kontum and Pleiku. The 968th Division recently moved into the area from Laos, and it probably will be used initially to back up the 320th and the 10th.

On the coast, the North Vietnamese 3rd Division will be charged with trying to keep government forces pinned down in Binh Dinh Province and the eastern terminus of Route 19 closed.

There are indications that other elements of the 320th and 10th divisions may be farther south in Darlac and Quang Duc provinces. Until the locations of these units can be confirmed, it will not be known if the major thrust in the central highlands will be against the northern or southern tier of provinces. South Vietnamese forces in the central highlands consist of two infantry divisions and ranger units. In terms of manpower and firepower, they are as strong as the North Vietnamese forces, but with limited resupply capabilities and a large area to defend, these units will be hard pressed to hold the line there if the Communists decide to launch heavy and sustained attacks. The government, however, probably will be able to defend its major population centers on the coast. [redacted]

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LATIN AMERICA

Those Latin American countries that have in varying degrees cast themselves in an adversary role vis-a-vis the US have continued to behave in this way in their reactions to Secretary Kissinger's recent statement on hemispheric policy. Some commentators, however, considered the statement a step toward reviving the dialogue between the US and Latin America.

On balance, regional reaction to the speech seems more negative than positive, and pessimism over the chances of a meaningful dialogue with the US appears the rule rather than the exception.

Ecuador stands out as the harshest critic so far.

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[REDACTED]

[REDACTED] An official communiqué from Quito took the occasion to reaffirm a policy of "not negotiating under pressure" and to take another swipe at the US Trade Reform Act.

Reaction from Caracas varied in stridency from party to party. Government partisans admitted that the Secretary's references to a Latin spirit of confrontation toward the US were warranted, but said this attitude is justified by history. Party spokesmen for more leftist groups saw veiled threats against countries that associate to defend prices for raw materials.

Peru, which is preoccupied with internal problems, has issued no official reaction, but the government-controlled press "rejected" the speech and referred to the need for a Latin economic organization that excludes the US. The Lima media also discerned a "threat" in the speech and belittled statements on Cuba as a "timid opening."

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The Panamanian press was characteristically ambivalent. On the one hand, it endorsed the criticisms voiced by Ecuador and Venezuela; on the other, it characterized the Secretary's statements on the canal negotiations as reasonable.

Reaction out of most capitals has been typically slow. Several small countries, such as Haiti and the Dominican Republic, which regularly voice pro-US opinions, have commented favorably. Larger countries that follow a moderate foreign policy have not commented publicly at all.



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RHODESIA

The regime's arrest on Tuesday of Ndabaningi Sithole, a major black nationalist leader, has halted talks between the nationalists and Prime Minister Smith concerning a constitutional settlement. A prolonged break-off in the negotiations would play into the hands of hard-line nationalist elements, who want to resume the insurgency that the blacks formally renounced last December under their cease-fire agreement with Smith.

The Rhodesian authorities accused Sithole, who was freed under the truce agreement after years in detention, of plotting to assassinate rivals in the African National Council, the umbrella nationalist group. According to a government statement, Sithole was detained to protect his intended targets, and will be tried in camera to prevent victimization of witnesses.

Sithole was president of the Zimbabwe African National Union, the principal Rhodesian insurgent group until it merged with the enlarged African National Council last December; at that time Sithole took a place on the executive committee of the council. Since gaining his freedom, Sithole antagonized Smith by threatening in a series of speeches to resume fighting if Smith did not accede to an early transfer of power to the black majority.

Smith probably gambled that removal of Sithole would tip the balance among the council's leaders in favor of moderates willing to maintain a truce during prolonged negotiations. Two meetings last month between Smith and council leaders, including Sithole, failed to produce agreement even on arrangements for the constitutional conference called for in the truce agreement.

Following Sithole's arrest, however, Bishop Muzorewa, the moderate president of the council, said that talks with Smith will be suspended until Sithole is freed and that the council will not participate in a constitutional conference until Smith releases all political prisoners.

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Smith suspended the release of detainees in January, alleging cease-fire violations by the nationalists' guerrillas.

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Smith may have hoped that the charges against Sithole will convince South African Prime Minister Vorster--who has collaborated with Kaunda in the effort to promote a Rhodesian settlement--that the African National Council is so dissension ridden that it will never reach a consensus on a constitutional settlement.

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Sithole's arrest, however, could prompt Vorster to step up South African pressure on Smith to get on with settlement negotiations.

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CYPRUS

The inflammatory anti-American campaign under way in the Greek Cypriot press could result in acts of violence against US personnel and facilities.

The campaign, which the US embassy in Nicosia believes is inspired by President Makarios, began last week following the temporary detention by Greek Cypriot authorities of four US airmen assigned to a British base. The incident led to a spate of articles accusing the US of using Cyprus as a base for espionage and of working against Greek Cypriot interests at the UN. Charges of US complicity in the Turkish invasion of Cyprus last summer also have been revived.

The embassy speculates that Makarios is orchestrating the campaign in an attempt to deflect the frustration of Greek Cypriots from himself, now that it has become apparent that he has failed to force concessions from the Turks. The campaign has been effective among refugees and students; many of them are joining radical leftist Vassos Lyssarides' party, which supports Makarios and has been the most vocal critic of the US.

Alternatively, the embassy speculates that the campaign may be intended to condition Greek Cypriots to a change of policy toward the Soviet Union. This would involve risks, however, because the Athens government and at least some elements of the Greek Cypriot right would oppose such a move. The remnants of the EOKA-B terrorist organization, which participated in the coup against Makarios last July, might react violently.

It is doubtful that Makarios would turn to the Soviet Union until the outcome of the UN Security Council debate on Cyprus--now in progress--is clear. He would also want to receive firm assurances of support from Moscow before taking any steps that might lead to an enhanced role for the Soviets on Cyprus. Although the USSR would like to exploit Makarios' predicament to obtain a greater role in any future Cyprus settlement, Moscow's performance to date indicates that it will move cautiously to avoid antagonizing the Turks.

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The Security Council's efforts to formulate a compromise draft resolution continue to founder over the issue of the Council playing some role in future Cypriot intercommunal talks. Yesterday Turkish delegates reaffirmed that Ankara is opposed to any involvement by the Council. The Greeks have been insisting that the Council play a direct role.

Delegates from Britain, France, and several non-aligned states agreed to delete references to a Council role in their draft resolution and to present the Turks with a new text that would be represented as their last offer. Whether the Greeks and Greek Cypriots would accept such a resolution is unclear, however. The US Mission at the UN believes that the Europeans and delegates from non-aligned states will give up their efforts to draft a resolution should the new text prove to be unacceptable to any of the parties involved. If the compromise resolution is deemed unsatisfactory by the Greek Cypriots, another round of potentially violent demonstrations in the Greek Cypriot sector could occur.

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JAPAN - NORTH VIETNAM

After prolonged negotiations, Tokyo and Hanoi are near agreement on an exchange of embassies. Diplomatic relations were established 18 months ago.

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Japan apparently remained firmly against accepting North Vietnam's long-standing demand for recognition of the Provisional Revolutionary Government as the price of an agreement. The Japanese admit, however, that Hanoi has not really pushed the issue, at least in recent months.

Hanoi seemed much more interested in expediting the flow of Japanese economic aid to help meet its current economic objectives. Hanoi also is interested in direct access--via an embassy in Tokyo--to Japanese business and financial institutions, in order to try to move forward on private trade agreements and to secure needed credit.

Tokyo is likely to move cautiously in its economic dealings with North Vietnam. Market and investment opportunities are relatively limited. On matters of aid, Japan's desire to be more selective in its commitments abroad is reinforced in Hanoi's case by concern over reactions from Saigon--a more important economic partner--and over Washington's attitudes.

Relations with North Vietnam have not been a major political issue in Japan in recent years, but the ruling conservatives probably see the impending agreement with Hanoi--coupled with recent progress toward a treaty of peace and friendship with Peking--as reducing their vulnerability to leftist criticism on foreign policy issues during the current Diet session.

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BANGLADESH

Grain imports and domestic production appear likely to cover minimum food-grain needs through summer. Even so, Bangladesh is not secure against famine in the weeks prior to the main harvest, which begins in mid-November. There might be such a danger if there were a substantial decline in domestic grain production or a delay in import deliveries.

Domestic grain production for the crop year ending in June will be almost as high as last year's bumper crop, despite damage by floods last August. It will provide for about 85 percent of total consumption requirements. The remainder, including most of the grain for the government's largely urban distribution system, will come from imports.

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More than enough grain--food aid and planned commercial purchases--appears in the offing. Hunger may persist in a few remote areas, but minimum consumption needs will be met in most areas of the country for the next several months.

Food shortages are usually most serious just prior to the main harvest. The grain import outlook is more promising than last fall, when the government distribution system did not operate effectively because of inadequate imports and flood-disrupted transport. If purchases and food aid already proposed arrive before September, grain supplies to ration shops and relief centers will be adequate to meet normal demand through the critical period. Only part of the required amount has been firmly arranged, but Dacca and foreign aid donors are monitoring shipments closely. Domestic supply from the minor harvest in August cannot yet be estimated.

Adequate food supplies during the spring and summer months could give President Mujibur Rahman a breathing space by temporarily defusing criticism of his newly formed authoritarian government. Mujib gives highest priority for food distribution to the politically volatile urban areas; he undoubtedly will continue this practice to ensure his position.

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In the fall, however, increased demand for government-rationed grain may make Mujib's situation more precarious. A fifth city was added to the ration system last month, and the fall migrations of rural poor to the cities in search of food will further swell the numbers the government must feed. Moreover, government efforts to buy more domestic rice may disrupt commercial markets.

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FOR THE RECORD

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Israel-Fedayeen: Israeli defense forces early this morning stormed the hotel in Tel Aviv where fedayeen terrorists were holding a number of hostages. Defense Minister Peres declared the situation was "under control." According to an Israeli spokesman six terrorists and some of the hostages were killed. The seaborne raid, for which a number of Palestinian groups including Al Fatah are claiming credit, apparently was mounted from southern Lebanon. The raid should have no adverse effect on the coming Israeli-Egyptian negotiations.

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